

**MINUTES  
of the  
FIRST MEETING  
of the  
MORTGAGE FINANCE AUTHORITY ACT  
OVERSIGHT COMMITTEE**

**June 3, 2013  
Mortgage Finance Authority Office  
344 Fourth St. SW  
Albuquerque, New Mexico**

The first meeting of the Mortgage Finance Authority (MFA) Act Oversight Committee of the 2013 interim was called to order by Representative Ernest H. Chavez, chair, at 10:08 a.m. on June 3, 2013 at the office of the MFA in Albuquerque, New Mexico.

**Present**

Rep. Ernest H. Chavez, Chair  
Sen. Nancy Rodriguez, Vice Chair  
Rep. Alonzo Baldonado  
Sen. Lee S. Cotter  
Rep. Roberto "Bobby" J. Gonzales  
Sen. Stuart Ingle  
Sen. Cisco McSorley

**Absent**

Rep. Thomas A. Anderson

**Advisory Members**

Rep. Sandra D. Jeff  
Rep. James Roger Madalena  
Sen. Richard C. Martinez  
Sen. Bill B. O'Neill  
Sen. Gerald Ortiz y Pino  
Sen. Sander Rue

Rep. Nathan "Nate" Cote  
Rep. George Dodge, Jr.  
Sen. Michael Padilla

**Staff**

Claudia Armijo, Staff Attorney, Legislative Council Service (LCS)  
Sharon Ball, Senior Researcher, LCS  
Cassandra Jones, Research Assistant, LCS

**Guests**

The guest list is in the meeting file.

**Handouts**

Copies of all handouts and written testimony are in the meeting file.

## **Monday, June 3**

### **Call to Order**

Representative Chavez welcomed members of the committee, staff and guests to the meeting. The chair requested that members of the committee introduce themselves, after which he introduced LCS staff members. The chair then turned the meeting over to Jay Czar, executive director, MFA, who indicated that he would introduce MFA staff members as the meeting progressed in connection with program discussion. Mr. Czar also advised members that the meeting was being video webcast and reminded them to keep sidebar conversations to a minimum to avoid noise interference with the webcast.

### **MFA Update**

Mr. Czar stated that, as part of its core values, the MFA attempts to hire well-qualified employees that represent the diversity of the state, pay them competitively, treat them fairly and provide opportunities for advancement. He began by introducing MFA executive team staff, who, besides himself, will work closely with the MFA Act Oversight Committee, including Sandra Mares, executive assistant, who, he said, has worked with the MFA for more than 24 years and serves as a point of contact for committee members and staff; and Gina Hickman, deputy director of finance and administration, who, he said, has been with MFA for four years, is a certified public accountant and brings considerable experience as a chief financial officer. He explained that Ms. Hickman's job involves coordination and oversight of MFA's asset and liability mix, debt issuance, financial reporting, cash flow projections and the investment and disbursement of MFA funds. He noted that Joseph Montoya, who serves as MFA deputy director of programs, is attending a meeting in Washington, DC, but will be present for the remainder of the committee meetings. He also introduced Monica Abeita, senior policy and program adviser, who, he said, replaces Erin Quinn, who took a job with the U.S. Department of the Treasury in Washington, DC. He said that Ms. Abeita, a native New Mexican, has a broad background in public housing, particularly in the area of community planning.

Providing a little history of the MFA building itself, Mr. Czar also explained that the MFA office is located in what used to be the central Albuquerque YWCA building and noted that the committee is meeting in what was once the swimming pool.

Providing historical background, Mr. Czar explained that the state legislature created the New Mexico MFA in 1975 as a governmental instrumentality, which, he said, means "You're in business for yourself". He explained that the MFA does not rely on appropriations from the state for either operations or programs. He explained, further, that the MFA does have the power to raise funds from private investors and to make those funds available to finance the acquisition, construction, rehabilitation and improvement of residential housing for low- to moderate-income families and individuals in the state, which supports the MFA's vision that all New Mexicans will have quality affordable housing opportunities. He said that the MFA's mission is to provide innovative products and services in collaboration with strategic partners to finance the purchase,

construction and preservation of quality affordable housing to strengthen the social and economic development of the state.

Among the MFA's additional core values, Mr. Czar noted the following:

- providing prompt, courteous, quality service;
- fostering a professional environment that supports a high level of integrity, transparency, collaboration and commitment to its mission;
- allocating resources to serve those with the greatest need while promoting partnerships to maximize housing opportunities;
- practicing cost-effective operations and prudent fiscal management; and
- promoting sustainable growth, innovation and environmentally conscious practices.

Mr. Czar thanked committee members for their service to the state and particularly for being so helpful in getting the word out about the effectiveness and importance of the MFA's programs.

He said that the MFA is subject to considerable oversight, not only from this legislative oversight committee, but also by a seven-member board of directors, four of whom are appointed by the governor, and three of whom are stipulated in statute: the attorney general, the lieutenant governor and the state treasurer. He said that the board meets the third Wednesday of each month in the MFA office at 9:30 a.m. and invited all members to attend meetings at their convenience. In response to committee questions and comments, he also noted that the Hotel Clovis project in Clovis is now open, that the Stage Coach Hotel project in Santa Fe will be open by the end of the month and that the Sundowner Motel and Luna Lodge projects in Albuquerque are progressing. Senator Ortiz y Pino mentioned that committee members may have seen the Casitas de Colores project on their way to the meeting today. He said that this project will be a mixed-income project to encourage establishment of a diverse community. Mr. Czar noted that MFA staff will soon travel to Clovis, Portales and the Lea County area where needs are great because of rapid growth.

### **Interim Committee Procedures**

Ms. Armijo explained that, because the MFA Act Oversight Committee meets in Albuquerque rather than Santa Fe, she will provide the presentation that Raúl E. Burciaga, director, LCS, usually provides at each interim committee's organizational meeting.

She began by pointing out that a copy of the tentative interim committee calendar for the 2013 interim was included in the committee folder. She explained that, as in the past, the New Mexico Legislative Council directed staff to develop a tentative calendar in an effort to minimize conflicts among voting members on committees. She said that the tentative dates for the MFA Act Oversight Committee are reflected both in the committee's proposed work plan and in the calendar.

Addressing a few other housekeeping items, Ms. Armijo explained that advisory members serve as nonvoting members of the committee, but, generally, a good deal of committee action can be accomplished by consensus, e.g., drafting a letter requesting information or drafting a letter by LCS staff for committee review.

On the other hand, she explained, formal action, such as endorsing legislation; issuing a letter reflecting the committee's opinion, concern or other statement; or creating a subcommittee should be done upon a motion made and a vote taken of the voting members with a quorum present. She said that a formal calling of the roll is not always necessary and that a vote can be by voice, a show of hands or even by the chair's asking whether there is any objection to the motion.

She said that questions about quorums of interim committees frequently arise. She explained that a quorum is 50 percent of the number of voting members plus one and for most interim committees, there is no requirement that both political parties or both chambers be represented. For the MFA Oversight Committee, a quorum is five voting members. In addition, she explained that, once a quorum is established, it is presumed to continue to exist unless the lack of a quorum is raised by a member or disclosed upon a roll call vote.

She said that, if a quorum is not present, the members present can operate as a subcommittee to take testimony, but not formally act, if the number of voting members present plus advisory members present plus legislators attending the meeting as one of their extra days equal five. (Council Policy No. 3 (B)).

Committee members briefly discussed the possibility of joint meetings with other interim committees. The chair pointed out that committee members would be discussing the interim meeting calendar later in the agenda.

### **MFA 2013 Reference Guide Overview**

Ms. Abeita referred committee members to their committee reference guide and welcomed all members, especially new members, and said that she is looking forward to working with Chairman Chavez, Vice Chair Rodriguez and all of the committee members. She said that the information behind Tab 2 includes bills endorsed by the MFA for the 2013 session, none of which passed. She said that legislation for potential committee endorsement will be discussed throughout the interim and that some bills from 2013 may be modified and reintroduced for the 2014 session.

Mr. Czar briefly pointed out the committee's statutory authority, Sections 58-18-1 through 58-18-27 NMSA 1978 (Tab 3), and the MFA administrative rules (Tab 4) promulgated by the committee during each interim as needed. He emphasized that both the statutes and the rules are the basis for the way in which the MFA operates. He directed members' attention to the information behind Tab 5, the listing of the MFA board of directors. Committee members had several questions about the board membership. Some members noted that the listing includes

one vacancy, and they wondered how long the position has been vacant. Mr. Czar said that he is not certain, but that he is sure it was more than a year. He added that he is hoping that the governor will fill that position shortly. Another committee member noted that Sharron Welsh's term ended on January 1, 2012 and asked if she still serves. Mr. Czar indicated that she will continue to serve until the governor appoints someone else. In response to committee comments and questions, Mr. Czar said that the vacancy occurred because Justin Harper, Citizens Bank president, is on the board of the Federal Reserve Bank in Dallas and has too many other commitments to spend enough time on the MFA board. He added that the board members take their respective positions very seriously and are actively engaged in oversight of the MFA's work. He reiterated his invitation to committee members to attend monthly board meetings at any time.

Mr. Czar directed committee members' attention to information behind Tab 6, which includes the MFA mandates from statute and rule in the form of the MFA's vision, mission and core values, which he had discussed earlier. He noted that, in his opinion, the legislature's investment in the New Mexico Housing Trust Fund is one of the most productive. He said that the MFA is able to leverage \$14.00 to \$15.00 for each \$1.00 the state invests and that housing is not just housing, it is economic development.

Directing members' attention to Tab 7, "Top Ten the MFA Myths...Debunked!", Ms. Abeita noted that Mr. Czar had already adequately covered the myth that MFA is a state agency; it is actually an instrumentality of the state. She noted two other popular myths. The first is that the MFA lends money. She said that the MFA itself does not lend money; it works with a number of partners to provide financing through established lenders. A second is that the MFA develops and builds homes. She said that, again, the MFA helps find financing for developers to build homes and that it is kind of like a bank providing financing in the form of loans and sometimes tax credits and a few grants. She went on to explain that the MFA has very little grant funding available. The MFA borrows most of its funding and therefore must, in turn, make that funding available as loans, not grants. She said that the MFA also "recycles" some of its resources. For example, when certain loans are repaid to the MFA, those dollars can be recycled to help more people.

Ms. Abeita pointed out the MFA organizational chart, which includes two divisions, one headed by Mr. Montoya that deals with asset, community and housing development programs, and the second, headed by Ms. Hickman, that deals with accounting and finance. She added that the committee would be meeting several of these managers and directors as the meeting progresses.

She also pointed out that a copy of a housing brochure that the MFA staff use when explaining what the MFA does was behind Tab 9. She highlighted a few of the MFA homeownership programs.

- Building Trust — below-market rate loans to Native American families or individuals from federally recognized tribes who have a home site lease on trust land to buy, build or make repairs to existing homes. First-time homebuyer requirements are waived.

- Helping Hand — \$8,000 for down payment and closing cost assistance to low-income families in which one family member has a disability and a zero percent loan due on the sale, transfer or refinancing of the home.
- HERO — a first mortgage loan that includes a 3.5 percent down payment assistance grant that is available to low- to moderate-income households in which at least one member is a public safety worker, health care worker, educational worker or active or reserve member of the armed forces. It is a 30-year fixed-rate loan.
- Mortgage Booster — a fixed-rate second mortgage that is used in conjunction with other MortgageSaver or MortgageSaver Zero first mortgages and that features a 30-year fixed-rate loan with six percent interest — a loan of \$8,000.
- MortgageSaver — 30-year fixed, below-market rate mortgage lease priced with one percent discount and one percent origination fee for low- to moderate-income, first-time homebuyers.
- MortgageSaver Plus — 30-year fixed-rate mortgage program that includes a 3.5 percent grant to offset down payment and closing costs for low- to moderate-income first-time homebuyers that carries a slightly higher interest rate than MortgageSaver and MortgageSaver Zero. This program features a zero percent origination and discount fee.
- MortgageSaverZero — 30-year fixed-rate mortgage loans priced with zero percent discount and zero percent origination fee for low- to moderate-income homebuyers.
- Partners Program — first mortgages for families earning less than 60 percent of the area median income that are procured through nonprofit housing providers.
- PaymentSaver — second mortgage loans that provide 8 percent of the sale price of the home (up to \$8,000) for down payment, closing costs, principal reduction and interest rate buy-down for lower-income families in eligible areas of the state, with zero percent of the loan due on sale, transfer or refinance of a home.
- Smart Choice — in areas where the local public housing authority offers the Section 8 Housing Choice Voucher Homeownership program, participants may be eligible for a Smart Choice down payment and closing cost assistance loan of \$15,000, with a zero percent interest rate due on sale, transfer or refinance of a home.
- Streamline 203(k) — 30-year fixed-rate Federal Housing Administration first mortgage that includes up to \$35,000 for home improvements or energy efficiency upgrades. Down-payment assistance may be used in conjunction with this loan.

Ms. Abeita pointed out that the MFA participates in the following housing development programs:

- Risk-Sharing Loans, federal Department of Housing and Urban Development (HUD) 542(c) and United States Department of Agriculture 538 — construction and permanent loans aimed at the production and preservation of affordable, low-income rental housing units.
- ACCESS Loan — construction and permanent loans up to \$2 million for small-scale affordable rental housing projects.

- "Build It!" Loan Guaranty Program — up to 50 percent guaranty of interim loans used to acquire, build or rehabilitate affordable rental and for-sale housing that is available to nonprofit organizations, for-profit corporations, units of local government, housing authorities and tribal entities.
- HOME/Rental Loan — gap financing loans for development of affordable rental or special needs housing through new construction or acquisition and rehabilitation of existing properties.
- HOME/Single Family Loans — gap financing loans for construction and sale of affordable single-family residences.
- Land Title Trust Fund (LTTF) — loans or grants (competitive) for housing for low-income households (less than 80 percent of area median income).
- Low Income Housing Tax Credit (LIHTC) — federal tax-based program that encourages private investment for construction or rehabilitation of affordable housing. In response to a committee request, Mr. Czar said that he would provide a listing of LIHTC allocations by year.
- Tax-Exempt Bonds — the MFA is a qualified issuer of tax-exempt bond financing and 501(c)3 financing for multifamily developments statewide.
- New Mexico Affordable Housing Tax Credit program — provides 50 percent in state tax credits to individuals, businesses and local governments that provide donations of land, buildings, materials, cash or services to MFA-approved affordable housing projects or cash donations to the MFA Charitable Trust.
- New Mexico Housing Trust Fund — provides financing (on a competitive basis) for affordable housing initiatives targeted primarily to low- and moderate-income households, which can be for nonprofit or for-profit developers.
- Primero Investment Fund — provides loans to meet the financial needs of affordable housing development initiatives that cannot be met through other sources.

In terms of participation in community development programs, Ms. Abeita pointed out the following programs:

- Community Housing Development Organization (CHDO) Operating Fund Program — provides operating funds designed to increase production capacity in nonprofit organizations that develop affordable housing.
- Continuum of Care (CoC) — partnership between the MFA and the New Mexico Coalition to End Homelessness that funds agencies that provide assistance for people experiencing homelessness, including prevention, street outreach, emergency shelter, transitional housing and permanent supportive housing.
- HOME House-by-House Reservation Rehabilitation (REHAB) — assistance for low-income homeowners to make necessary home repairs. The MFA selects local housing authorities, community nonprofit organizations and local governments to administer the program in communities statewide including Albuquerque and Las Cruces.
- New Mexico Energy\$mart — assistance for qualified households to improve home energy efficiency and reduce utility expenses by as much as \$500 per year. Participants receive an average of \$4,500 in energy efficiency upgrades, including

insulation, caulking, new windows and new heating systems. In response to a committee request, Mr. Czar said that MFA staff would provide a listing of EnergySmart programs by county.

- Transitional and Supportive Services (TSS) — supports for community nonprofits and local governments to provide emergency, transitional and permanent housing and supportive service for persons who are homeless or at risk of becoming homeless.
- Emergency Homeless Assistance — funding for emergency shelters and housing providers to provide emergency shelter, housing and emergency services for needy individuals and families.
- TSS: Rental Assistance Program (RAP) — a short- and medium-term rental assistance program for qualifying individuals or families.
- Housing Opportunities for People with AIDS (HOPWA) — a program to prevent homelessness among those in the AIDS/HIV community.
- Linkages Program — a permanent supportive housing voucher program for those with behavioral health disorders who have experienced long-term homelessness.

In terms of targeted initiatives, Ms. Abeita discussed the following:

- Housing Counseling — requires pre-purchase housing counseling for prospective buyers funded by HUD grants. Mr. Czar commented that this program is one of the MFA's most successful.
- Performance-Based Annual Contributions Contract (ACC) — monitoring and contractual compliance of owners and management agents participating in project-based housing assistance payment contracts under Section 8, U.S. Housing Act of 1937. In response to committee questions and comments, Mr. Czar thanked committee members for their support of the MFA and the Attorney General's Office for its opinion that supported the MFA in reestablishing that program.
- Affordable Rental Property Listing — assistance for New Mexicans looking for affordable housing through the MFA's housing services directory.
- Green Initiatives — initiatives to encourage energy and water conservation in MFA programs and promotion of healthy and cost-effective design.
- New Mexico Affordable Housing Charitable Trust — administered by the MFA. Donors are eligible for state tax credits worth 50 percent of every \$1.00 donated. Donations are leveraged several times and used to fund affordable housing construction. The trust allows donors to carry forward tax credits for five years and to hold or otherwise transfer credits one time.

Referring to the information behind Tab 10, Mr. Czar said that in 2012, the MFA provided more than \$223 million in low-interest financing and grants for affordable housing and related services throughout the state. He explained that, in helping to build affordable housing, the MFA provided:

- more than \$65 million in financing for the new construction, acquisition and rehabilitation of 985 affordable rental homes, including 371 units that were already in the pipeline;



- \$2.3 million in loans for new construction, acquisition, rehabilitation and resale of 83 affordable, for-sale homes, including 10 Habitat for Humanity homes and 12 homes on tribal lands; and
- funding for the rehabilitation and energy efficiency improvement of more than 1,400 owner-occupied homes.

Mr. Czar added that this latter group consists mainly of frail, elderly and disabled homeowners whose utility bills are significantly reduced with these energy efficiency improvement projects.

Mr. Czar said that, in 2012, the MFA assisted homeowners and renters by:

- using tax-exempt single-family mortgage bonds to provide loans in excess of \$106 million to 911 first-time homebuyers;
- providing more than \$3.4 million in down-payment assistance loans and grants to persons who agree to participate in homeownership counseling, which lowers foreclosure rates; and
- processing more than \$26 million in project-based Section 8 rental assistance payments for 5,297 apartments occupied by low-income households throughout the state.

In terms of providing housing for those in need, Mr. Czar said that the MFA funded more than \$1.3 million in shelter and operating costs for approximately 8,700 individuals experiencing homelessness and more than \$1 million in homelessness prevention measures for 600 households at risk of becoming homeless.

Finally, in terms of reaching out to communities, Mr. Czar said that:

- more than 1,509 prospective homebuyers and troubled homeowners have benefited from pre-purchase and foreclosure mitigation counseling classes and individualized sessions valued at more than \$245,000;
- the MFA's New Mexico EnergySmart program provided more than 13,000 hours of specialized energy efficiency training for 581 attendees from the weatherization and construction work force. Training sessions took place at the NM EnergySmart Training Academy at Santa Fe Community College, along with field training in Roswell and on the Jicarilla Apache Nation; and
- held in Albuquerque on August 22-24, 2012, the New Mexico Housing Summit drew a record crowd of more than 600 attendees with more than 40 New Mexico communities and 15 other states represented. Mr. Czar noted that the housing summit is held every other year.

Directing committee members' attention to tables behind Tab 11, Ms. Abeita pointed out lists of low-income projects from 2000-2012, divided by congressional district. She said that the MFA received an allocation of about \$4 million from the U.S. Department of the Treasury in 2012. A committee member asked how \$4 million could be leveraged into a large economic

impact such as \$132 million. Felipe Rael, director of housing development, MFA, explained that the actual credit amount is \$4 million per year, but it can be claimed over a 10-year period and thereby become \$40 million. He also indicated that tax credits can "kick start" projects that bring in additional resources from local jurisdictions or housing trust funds or other outside sources. He indicated that he would provide the committee with additional information about this process at the next meeting. In response to a committee request, Mr. Czar said that MFA staff would provide committee members with information regarding administrative costs relating to distribution of federal American Recovery and Reinvestment Act of 2009 (ARRA) grants.

### **MFA Funding Source and Program Overview**

Directing committee members' attention to the matrix behind Tab 12, Ms. Abeita discussed the 2012 federal programs administered by the MFA. She said that the HUD HOME Investment Partnerships program (HOME) was cut by 53 percent from its fiscal year (FY) 2011 allocation of \$7,152,461 to \$3,781,059 for FY 2012. She also pointed out another HUD formula grant to New Mexico of \$19.6 million authorized under the federal Housing and Economic Recovery Act of 2008. She said that, of this amount, the MFA has received and will expend approximately \$8.7 million by June 30, 2013. Mr. Czar pointed out that the MFA had administered about \$95 million over three years of ARRA funds and had gotten those funds out into the economy in a timely manner and in a productive, meaningful way.

Looking behind Tab 13, Ms. Abeita discussed MFA estimated funding sources of \$273.8 million for 2012, including \$109.2 million from federal housing programs, \$128 million from MFA bond issues and \$10.9 million from state appropriations and tax credits. She said that MFA staff should have a new 2013 source document soon.

Noting the material behind Tab 14, Ms. Abeita told committee members they would find the MFA benchmarked strategic plan. She noted that the MFA is in year two of the current 2012-2014 plan and that MFA staff report regularly to the board on progress toward the benchmarks. Committee members expressed concern about the loss of federal and other housing funds and about housing for returning veterans and Native Americans. Mr. Czar said that MFA staff would provide the committee with detailed information about these issues.

Noting the material behind Tab 15, Mr. Czar told committee members that, for the past 20 years, the MFA has received unqualified (i.e., "clean") audit opinions on its financial statements. He reiterated that the MFA has considerable oversight from a number of entities and noted that, for the past three years, the MFA has averaged 25 audits per year by nine agencies. He explained that some audits are specific to programs while others are overall MFA audits. In response to committee questions and comments, Ms. Hickman said that the MFA falls under the Audit Act and state law requires that agencies issue a request for proposals (RFP) for auditor services every three years. She added that the Office of the State Auditor has participated in the MFA audits recently because the firm KPMG has been the MFA's external auditor for several years. Mr. Czar added that the MFA tries to learn from its audits rather than being combative. Committee members requested information on tax credits to address concerns in recent media

coverage, e.g., an analysis of trade-offs. What is the state getting in exchange for the revenue the state foregoes through tax credits?

### **Introduction of Key Staff and Programs**

Mr. Czar introduced Leann Kemp, communications manager, MFA. He said that Ms. Kemp had previously worked for a local news outlet and has worked for the MFA for five years doing communications and marketing. He said that she is responsible for communicating to the world at large who the MFA is and what it does, which is not an easy task because the MFA does so many things and because of the similarity between the MFA name and other government agencies that deal with finance issues.

Next, Mr. Czar introduced Marjorie A. Martin, the MFA's in-house legal counsel. He said that Ms. Martin has been with the MFA for seven years and that her work has been plentiful and varied. He said that she drafts, reviews and negotiates contracts and ensures compliance with federal regulations.

Mr. Czar reintroduced Mr. Rael and briefly discussed his work in areas such as gap financing. He also introduced Izzy Hernandez, MFA director of community development, who recently returned from four years of serving the country as a member of the New Mexico National Guard and has been with the MFA for 28 years; Maggie Raznik, director, human resources; and Jacqueline Boudreaux, manager, MFA asset manager.

Ms. Hickman introduced Kathy Keeler, MFA finance manager. She also mentioned Erik Nore, MFA director, homeownership, who is out on medical leave.

### **2013 Interim Work Plan and Meeting Schedule Development**

Ms. Armijo went over the proposed work plan, together with proposed meeting dates. Committee members engaged in an extensive discussion about meeting dates and possible joint meetings with the Military and Veterans' Affairs Committee and the Indian Affairs Committee. Committee members requested additional information relating to repayment of bonds that the MFA sells. Ms. Keeler said that the MFA can provide the committee with a history of bond issues since 1994. Committee members also expressed an interest in taking a tour of the Casitas de Colores project. With no additional requests and no objections, committee members agreed to the proposed work plan, with the addition of an examination of the MFA strategic plan. Without objection, the committee agreed to meeting dates of July 2, August 7, September 4 and October 15.

The chair and vice chair thanked the MFA staff and LCS staff for their hard work in putting together the interim work plan. Without objection, the meeting adjourned at 12:58 p.m.